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SUBJECT: DUSTR Marantis Visit to Re-energize Trade Policy Forum
Government Meetings

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11. (SBU) Summary: Deputy U.S. Trade Representative (DUSTR) Demetrios Marantis visited New Delhi August 11-13 to meet with GOI officials and private sector representatives to prepare for USTR Ambassador Kirk's participation in a bilateral Trade Policy Forum (TPF) ministerial in Delhi later this fall (subsequently confirmed for October 26). GOI officials stressed the need to focus on a few issues per sub-group where both sides could press for resolution before the next TPF, the need to select participants in and establish an agenda for the CEO Forum, and India's goals for the September 3-4 Doha mini-ministerial. They also called for the avoidance of protectionism in the United States and stressed the benefits of economic cooperation with India, made a pitch for India's continued benefits under the U.S. Generalized System of Preferences (GSP) program, and raised many long-standing issues, including H1-B visas and social security totalization. Marantis' visit coincided with visits to Mumbai and Delhi of a Senate Foreign Relations Committee staffer focused on India's use of GSP (septels), with which he met informally, and the first round of Bilateral Investment Treaty (BIT) talks in Delhi, for which he delivered concluding remarks (septel). End Summary.

12. (SBU) During his visit, DUSTR Marantis met with Deputy Chairman of the Planning Commission Montek Ahluwalia; Ministry of External Affairs Secretary Nirupina Rao; Minister of Commerce and Industry Anand Sharma and Commerce Secretary Rahul Khullar; and Ministry of Micro, Small and Medium Enterprises Secretary Dinesh Rai. Private sector meetings will be reported septel. DUSTR Marantis was accompanied to all meetings by USTR South Asia Director Adina Adler and Econoff. Econ M/C and Deputy M/C, accompanied to several meetings, and FCS SCO accompanied to the meeting with Secretary Khullar.

Re-energizing the Trade Policy Forum

13. (SBU) In a meeting with Commerce Secretary Rahul Khullar, joined by the Joint Secretaries for Americas, WTO, Services, Agriculture and NAMA, DUSTR Marantis explained Ambassador Kirk and Minister Sharma's common desire (as discussed during Sharma's visit to Washington in June) for the TPF to both be a mechanism for resolving thorny issues and collaborating in new areas. Khullar also referred to a letter which had been sent by AUSTR Mike Delaney to Joint

Secretary Anil Mukim suggesting some possible modifications. Khullar was enthusiastic about convening a TPF ministerial and wanted to focus the agenda on a few achievable issues per focus group rather than just a long laundry list of intractable ones. He looked forward to receiving more details on USTR proposals to strengthen the effectiveness of the TPF and the Private Sector Advisory Group (PSAG), and agreed to intervene with the Ministry of Agriculture to reengage in the Agriculture Focus Group and ensure an appropriate GOI counterpart to USDA U/S James Miller. (Note: Mukim confirmed in an August 28 meeting with visiting Commerce DAS Holly Vineyard that Additional Secretary Shri Pati would lead the group on the Indian side. End note.)

14. (SBU) GOI feedback on specific USTR proposals:

--Combine the Services and Investment Focus Groups: Khullar said he preferred to get the investment group active first and look at merging the groups later. While the U.S. lead would be the same for both (AUSTR for Services and Investment Christine Bliss), India's side would not (J/S Bharti Sihag for Services, and a Department of Industrial Policy & Promotion or Finance Ministry J/S for Investment), creating an internal turf battle. Regarding U.S.-India collaboration on specific service sector market access issues, J/S Sihag said real progress on most sectors, such as retail, would be difficult since it would require legislation. She believed education and health services to be outside her scope, but she committed to discussing these issues with AUSTR Bliss.

--Create Additional Focus Groups: DUSTR Marantis proposed additional Focus Groups, such as on small and medium enterprise (SME) development and environment/clean energy. Khullar said adding

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more groups simply would add confusion, as work would cross over into other line departments. For example, environmental issues would be covered by India's Ministry of New and Renewable Energy and Ministry of Power. Khullar also wanted to avoid the TPF being caught up in controversy over cap and trade. Regarding possible SME work, Khullar requested USTR send him a proposal.

--Revamp the Private Sector Advisory Group (PSAG): DUSTR Marantis said USTR was looking at reformulating the U.S. side, including adding West Coast representatives to make the PSAG more geographically-balanced, and would soon share details with the GOI. He also proposed creating a formal link between the PSAG and CEO Forum to improve follow-through. Khullar said it would be an "institutional nightmare" if the PSAG were formally linked to the CEO Forum; neither could be subordinate to the other and the CEO forum was a "hoity-toity" gathering whereas the TPF was much more practical. However, he agreed that both PSAGs could exchange the studies they had concluded but not yet shared, and then he would consider discussing the linkage idea with Deputy Chairman Ahluwalia -- or we could unilaterally create an informal link. (Note: In a separate meeting, Ahluwalia, noting that his wife, a think tank chair, was a member of the Indian PSAG, told DUSTR Marantis he was not sure the CEOs would be comfortable with any link to the "think tank nature" of the PSAG. DUSTR told Ahluwalia that the U.S.-EU transatlantic business dialogue could be a model. MEA J/S Gaitri Kumar supported the idea that the PSAG and TPF could help to push forward the work of the CEO Forum throughout the year, but Ahluwalia remained skeptical, saying the CEO Forum was more of a photo op. End Note.)

--Creating an Annual Work Plan: DUSTR Marantis proposed that the United States and India agree to sign a "Bilateral Cooperation Agreement," essentially a non-binding, "aspirational" work plan that would set specific goals with timelines for the TPF. Mukim and Khullar welcomed the idea and asked USTR for a proposed outline of such an agreement, noting that they would be able to finalize terms of reference for such an agreement through an internal process called a "Joint Consultative Mechanism. Cooperating on Trade Bilaterally and Multilaterally

15. (SBU) Commerce Minister Sharma explained that the intention of the September 3-4 Doha mini-ministerial was to generate a "rainbow

coalitionQ of countries whose positive message would carry forward to the G-20 summit in Pittsburgh. He said he hoped USTR Kirk would visit India both for the mini-ministerial and the TPF. DUSTR Marantis noted that at times, our bilateral trade relationship had been so dominated by Doha that it often overshadowed the dynamic bilateral collaboration between the U.S. and Indian private sectors.

Sharma said he did not subscribe to the negative perceptions regarding Doha, adding that it was natural that two large democracies would have differences of opinion; otherwise there would be no need to talk. He opined that the Doha mandate for development was the core goal. DUSTR stressed that multilateral and bilateral tracks were both important. Sharma said now was the time to reach out and not look inward; protectionism would deepen the recession and delay the recovery.

16. (SBU) Minister Sharma also raised the importance of H1-B visas and India's GSP exports, commenting that China would move in if India lost GSP. DUSTR Marantis explained that the Congressional review of U.S. trade preference programs was likely to spill over into 2010 since difficult questions would be raised on eligibility requirements such as rules of origin and taking into consideration a country's level of development. He acknowledged that India's situation was complex because it had both highly developed and less developed sectors. Sharma asked for U.S. sensitivity of sectors like gems and jewelry that were labor intensive and employed low-skilled workers. Sharma noted he would be in Washington in October and might try to meet with some members of Congress on the GSP program during his visit. (Note: we later confirmed with his staff that Sharma plans to attend the October 13-14 Coalition of Service Industries Global Services Summit in Washington, DC. End note.)

Foreign Secretary -- Trade and Investment Important

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17. (SBU) Foreign Secretary Nirupama Rao and Joint Secretary Gaitri Kumar told DUSTR Marantis, along with DCM and Econ M/C, that trade and economics are the central pillar of our partnership. Rao said we should be ambitious about the relationship and use the CEO Forum as a catalyst. India had submitted a list of CEO names for approval after instituting a process less ad hoc than in the past. DUSTR Marantis said he would like to establish a link between the PSAG and CEO Forum that would inform the CEO Forum of TPF activities. Both agreed that conclusion of a BIT would bring our economies closer together. DUSTR Marantis also expressed appreciation for the Ministry's role in securing the Technology Safeguards Agreement and looked forward to getting work started on a Commercial Space Launch Agreement (CSLA).

18. (SBU) Rao commented that U.S.-India bilateral trade was \$70 billion in 2008, including trade in services. (Note: this is according to Indian data; U.S. 2008 services data is not yet available.) Drawing on her recent posting as Indian Ambassador to China, Rao said India-China two-way trade was \$51.8 billion last year, but trade figures had dropped due to the global recession, which had badly affected China. India has a trade deficit with China, exporting primarily commodities to China while importing major hardware. Rao commented that the anti-dumping cases and countervailing duties that India has levied against China have raised the decibel level in bilateral discussions; a joint economic group at the Secretary-level meets only every three years. Turning to a perennial trade topic, Rao stressed that on social security totalization, "we need to sort that out.Q DUSTR Marantis explained candidly that the U.S. and Indian systems are not compatible, which makes a totalization agreement impossible under U.S. law. He agreed to continue to consider options.

Planning Commission on CEO Forum and Totalization

19. (SBU) DUSTR outlined his visit to India for Deputy Chairman of the Planning Commission Montek Singh Ahluwalia, who was joined by MEA Joint Secretary Gaitri Kumar. Ahluwalia recommended DUSTR Marantis visit a farm in India, as the unique characteristics of

India's agricultural sector are a big part of India's position in the Doha round. Ahluwalia asked about the BIT negotiations, the first round of which Ambassador Marantis reported had been concluded earlier that day. Ahluwalia also raised social security totalization (comment: at J/S Kumar's prodding), asking if the United States would consider an arrangement similar to that which it has with Israel. DUSTR Marantis explained that there are no groups in the United States exempt from the tax and the USG was trying to think creatively about how to work with India on this issue. Perhaps, once India implements its new system of pension reform, there would be a greater possibility, he added. Regarding the CEO Forum, Ahluwalia said it would be important for the CEOs to craft an agenda well ahead of the PM's November visit to the United States. In response to questions about the process to select U.S. participants, Adler explained the Federal Register process (Note: published on September 10. End note) and DUSTR Marantis agreed to convey to Washington agencies the desire to constitute an agenda soon. Kumar said it would help for the two leaders to sanction a list of concrete deliverables on which both sides could focus.

SME Cooperation Promising

¶10. (SBU) Secretary Dinesh Rai and Joint Secretary Pravir Kumar of Ministry of Micro, Small, and Medium Enterprises Ministry described their role creating an enabling environment for SME growth, including skills development and banking links. They explained that GSP had helped artisans, and they requested it not be withdrawn. DUSTR Marantis explained the status of the program and the review process. Rai referred to a letter of intent that his ministry had signed with the U.S. Small Business Administration (SBA) in January 2007 for one year of cooperation and said he would like to extend that agreement and broaden cooperation with the SBA. DUSTR Marantis said his staff would consult with SBA and get back to Rai. H.P. Kumar of the National Small Industries Corporation (NSIC), a

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government enterprise, noted NSIC had 250,000 SMEs as members, which it showcased on its portal (www.nsicindia.com). He said NSIC would like to arrange meetings with U.S. companies. Secretary Rai indicated the National Commission for Enterprises in the Unorganized Sector, which had a five-year mandate to study and make recommendations for economic development in the informal sector, had completed its work and published a report recommending creation of a fund for which the Finance Ministry had provided INR 4,000 crore (about \$8 billion).

¶11. (U) USTR's Adina Adler cleared this cable.

¶12. (U) Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>.

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